Canadian Interurban Properties Limited

Annual Report 1969

Directors

Robert Campeau,
Chairman of the Board, Canadian Interurban Properties Limited.
President, Campeau Corporation Limited.

J. M. P. Kelly, Q.C.,
President, Canadian Interurban Properties Limited.
Executive Vice President, Campeau Corporation Limited.

Jean C. Paradis,
Secretary, Canadian Interurban Properties Limited.
Senior Vice President and Secretary,
Campeau Corporation Limited.

P. N. Thomson,
Vice President, Canadian Interurban Properties Limited.
Deputy Chairman, Power Corporation of Canada, Limited.

Paul Desmarais,
Chairman and Chief Executive Officer,
Power Corporation of Canada, Limited.

Raymond Lemay,
President, Blue Bonnets Raceway Inc.

A. F. Mayne,
President, A. F. Mayne & Associates Limited.

Jean Parisien, C.A.
Executive Vice President, Power Corporation of Canada, Limited.

Jean Simard,
Vice President, Marine Industries Limited.

W. I. M. Turner, Jr.,
President, Power Corporation of Canada, Limited.

Officers

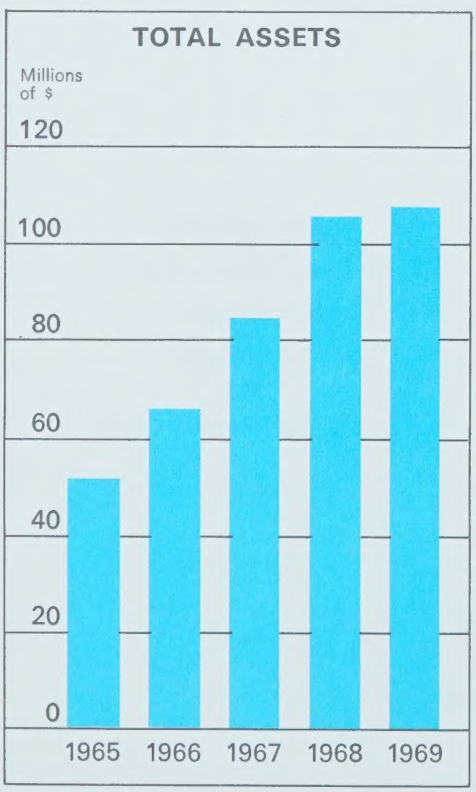
Chairman of the Board	Robert Campeau
President	J. M. P. Kelly, Q.C.
Vice President	P. N. Thomson
Secretary	Jean C. Paradis
Vice President, Comptroller and Assistant Secretary	C. Alec Shearson, C.A.

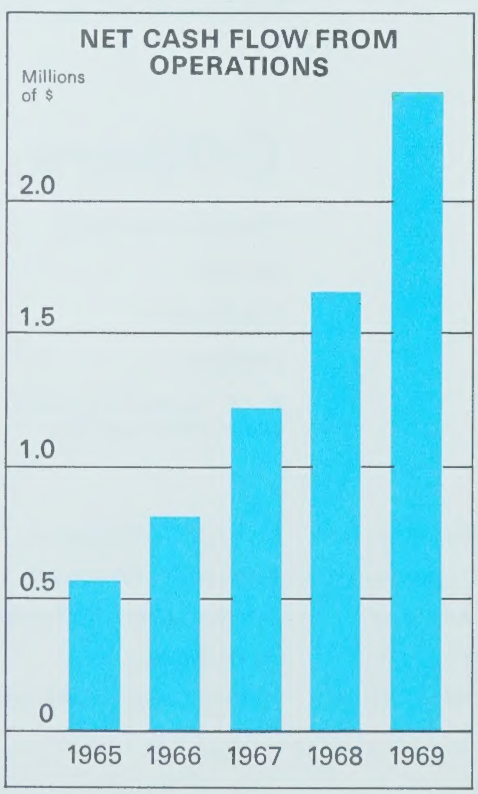
Registrar	Montreal Trust Company
Transfer Agent	Montreal Trust Company
Auditors	Campbell, Sharp, Nash and Field
Counsel	Fraser & Beatty
Head Office	170 Bay Street, Toronto 1, Ontario.

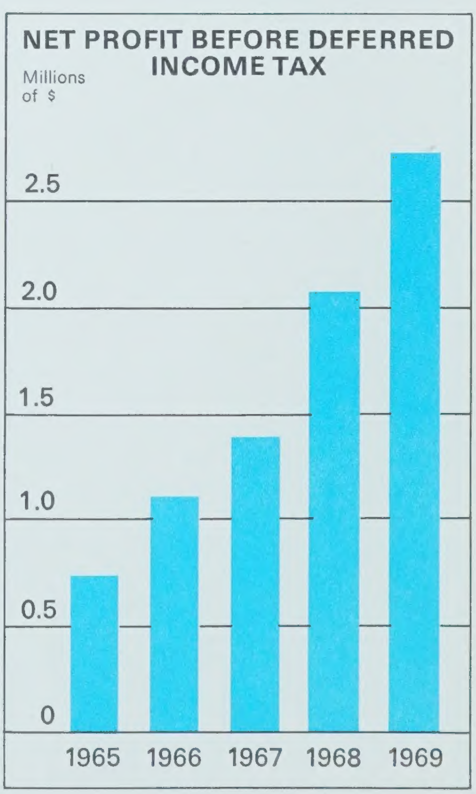
Financial Highlights

Thousands of dollars

Fiscal Years	1969	1968	1967	1966	1965	1964
Income	$14,567	$11,556	$9,892	$7,304	$6,297	$5,615
Total cash flow from operations	$ 4,414	$ 3,548	$2,522	$1,657	$1,214	$1,102
Less:						
Repayment of current portion of long term indebtedness	1,432	1,665	1,314	856	641	588
Preference share dividends	560	223	—	—	—	—
Net cash flow from operations	$ 2,422	$ 1,660	$1,208	$ 801	$ 573	$ 514
Net cash flow from operations per Common Share	43.8¢	30.9¢	24.6¢	19.2¢	13.8¢	12.4¢
Common Shares outstanding at year end	5,522,700	5,372,700	4,903,000	4,153,000	4,153,000	4,153,000







President's Report to the Shareholders

On behalf of the Board of Directors I am pleased to submit the annual report of the Company for the year ended December 31, 1969. Net profit increased during the year by 27% from $1,121,143 for the year ended December 31, 1968 to $1,422,436 for the current year. Earnings per common share were 15.6¢ compared with 16.7¢ for the year ended December 31, 1968. Taken into account in the earnings per share calculation were the quarterly dividends paid on the 7% Cumulative Redeemable Convertible Preference Shares Series A which were issued in August 1968, and as well the number of Common Shares outstanding increased during the year by 150,000.

On the opposite page you will find under financial highlights a table showing the net cash flow during the past 6 years. This net cash flow figure has been emphasized because it is the most important indicator of financial liquidity of a company in the real estate industry.

As a result of a transaction between Power Corporation of Canada, Limited and Campeau Corporation Limited on January 1st, 1970, control of your Company was transferred from Power to Campeau on the value basis of 10 Common Shares of Canadian Interurban for 7 common shares of Campeau. On March 31, 1970, Campeau made an offer to the other Common shareholders of Canadian Interurban to exchange their shares for Campeau shares on the same basis. As a result of this offer Campeau has now acquired a total of 95% of all the outstanding Common Shares of Canadian Interurban. Consequently the composition of the Board of Directors reflects this circumstance by the election thereto of Robert Campeau, President of Campeau Corporation Limited who is the new Chairman of the Board, Jean C. Paradis, Senior Vice President of Campeau Corporation Limited, Raymond Lemay, President of Blue Bonnets Raceway Inc. and myself.

Since January 1, 1970, your Company has undertaken a re-structuring of its organization in order to effect changes in several operating aspects. Intensive studies by management in all areas of operation of the Company have now been completed and certain changes will be effected in the near future in order to carry out a programme of modernization and updating of centres to current shopping standards. Foremost among some of these new developments is the commencement of construction of a $5,000,000 expansion programme including mall enclosure to the Oshawa Shopping Centre which will result in this centre becoming one of Canada's most modern and attractive regional shopping facilities.

Our development programme continues in Kanata and it is planned to construct approximately 200 housing units for sale in the current year. At the present time some resistance in housing sales is noticeable due to the high interest rates which currently prevail, and the uncertainties in the supply of mortgage moneys, together with government anti-inflationary measures, may affect our results in Kanata for the current year.

Under prevailing conditions the main thrust of management for the balance of 1970 will be to consolidate the Company's position, complete its re-organization and prepare it for further expansion when circumstances so warrant.

President

May 19, 1970.

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1969

ASSETS

		Comparative 1968
REAL ESTATE		
Properties held for investment—at cost	**$ 95,599,309**	$ 90,235,465
Less: Accumulated depreciation	**6,528,641**	5,615,286
	89,070,668	84,620,179
Land acquired for development (note 2)	**10,062,836**	9,308,542
	99,133,504	93,928,721
OTHER		
Mortgages, notes receivable and advances	**2,094,823**	1,978,351
Advances, less repayments, under employees' stock purchase plan (note 4)	**396,148**	444,151
Excess of purchase price of shares in subsidiary company over net book value of underlying assets (note 3)	**3,321,650**	3,321,650
	5,812,621	5,744,152
CURRENT		
Property developed for sale—at cost	**1,240,065**	1,555,655
Prepaid expenses	**204,643**	201,644
Guarantee deposit re property under construction	—	1,881,356
Accounts receivable less allowance for doubtful accounts	**1,138,234**	2,754,936
Cash	**349,609**	261,287
	2,932,551	6,654,878
	$107,878,676	$106,327,751

On behalf of the Board Director, J. A. Lowden Director, J. M. P. Kelly, Q.C.

Auditors' Report

To the Shareholders of Canadian Interurban Properties Limited.

We have examined the consolidated balance sheet of Canadian Interurban Properties Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of profit and loss and surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

SHAREHOLDERS' EQUITY

		Comparative 1968
CAPITAL STOCK (note 5)		
Preference Shares	$ 8,000,000	$ 8,000,000
Common Shares	23,490,738	22,890,738
SURPLUS	6,564,951	5,383,042
	38,055,689	36,273,780

LIABILITIES

LONG TERM INDEBTEDNESS (note 6)	58,176,356	57,195,038
DEFERRED INCOME TAXES (note 7)	4,259,000	2,929,000
MINORITY INTEREST IN SUBSIDIARIES	104,191	69,514
CURRENT		
Bank loans	4,517,073	3,022,009
Mortgage advances—properties developed for sale	139,730	1,309,696
Accounts payable—construction	808,719	3,461,172
Accounts payable—operations	1,817,918	2,067,542
	7,283,440	9,860,419
	$107,878,676	$106,327,751

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 16, 1970.

CAMPBELL, SHARP, NASH & FIELD
Chartered Accountants.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1969

		Comparative 1968
INCOME		
Rentals	$13,003,644	$10,356,299
Interest, dividends and sundry	540,688	373,719
Sale of land and buildings developed for sale	5,931,091	6,215,118
Less: Cost thereof	4,908,168	5,389,543
	1,022,923	825,575
Total income	14,567,255	11,555,593
EXPENSES		
Property operating expenses	5,146,733	3,986,948
Administrative and general	1,142,786	977,363
Interest expense	4,093,883	3,318,388
Leasehold rental (note 9)	440,180	381,299
Provision for depreciation (note 8)	950,979	795,589
	11,774,561	9,459,587
NET PROFIT before deferred income taxes and minority interests	2,792,694	2,096,006
Deferred income taxes (note 7)	1,330,000	971,000
	1,462,694	1,125,006
Minority interests	40,258	3,863
NET PROFIT for the year	$ 1,422,436	$ 1,121,143

CONSOLIDATED STATEMENT OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1969

		Comparative 1968
SURPLUS, beginning of year	$5,383,042	$4,703,716
Surplus on disposal of investments and properties held for investment	377,865	843,935
Net profit for the year	1,422,436	1,121,143
	7,183,343	6,668,794
Dividends paid—Preference Shares	560,000	222,803
—Common Shares	—	294,180
Financing and other organizational expenses of subsidiary companies written off	58,392	—
Expense of share issue	—	489,769
Adjustment of prior years' deferred income tax	—	279,000
	618,392	1,285,752
SURPLUS, end of year	$6,564,951	$5,383,042

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1969

		Comparative 1968
FUNDS DERIVED FROM OPERATIONS		
Net profit for the year	$1,422,436	$ 1,121,143
Depreciation	950,979	795,589
Amortization of cost of land and development expense	710,244	660,330
Deferred income tax	1,330,000	971,000
Cash flow from operations	4,413,659	3,548,062
Repayment of current portion of long term indebtedness	1,432,274	1,665,388
	2,981,385	1,882,674
Dividends paid	560,000	516,983
Funds derived from operations for reinvestment	2,421,385	1,365,691
FUNDS DERIVED FROM DISPOSAL OF INVESTMENTS		
Proceeds from disposal of investments in affiliated companies	—	1,223,556
Net proceeds from disposal of land and buildings	820,978	1,619,358
Payment of notes and mortgages receivable	305,300	404,660
	3,547,663	4,613,265
FUNDS DERIVED FROM NEW FINANCING		
Capital stock issue	600,000	11,244,345
Increase in minority interests in subsidiary companies	11,176	1,717
Net increase in long term indebtedness	2,505,715	13,686,876
Net increase (decrease) in current debt, including interim bank financing	1,145,348	(4,793,804)
	$7,809,902	$24,752,399
APPLICATION OF FUNDS		
Increased investment in:		
Properties held for investment	$5,971,595	$18,456,332
Land acquired for development	1,464,538	4,049,698
Mortgages, notes receivable and advances	421,772	1,312,449
Advances less repayments, under employees' stock purchase plan	(48,003)	444,151
Expenses of share issue	—	489,769
	$7,809,902	$24,752,399

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Canadian Interurban Properties Limited and all of its subsidiary companies.

2. LAND ACQUIRED FOR DEVELOPMENT

Land acquired for development is carried at cost including carrying charges and development expenses.

3. EXCESS OF PURCHASE PRICE OF SHARES

The excess of the amount paid in 1967 for all of the outstanding shares of William Teron Limited over the book value of the underlying assets was formerly included in land acquired for development. This excess has been shown separately in 1969 and the 1968 figures restated accordingly in view of the Company's intention to apply for supplementary letters patent reducing the paid up capital on common shares by $3,321,650 and using the amount arising from such reduction to write-off said excess of purchase price.

4. EMPLOYEES' STOCK PURCHASE PLAN

In 1968 the Company created a stock purchase plan with the trustees thereof having the right to purchase with funds to be advanced by the Company a maximum of 150,000 Common Shares of the Company, to be made available for acquisition by certain employees, including senior officers, at the market price prevailing on the date such employees agreed to acquire such shares and payable in annual instalments during the next four to nine years.

As at December 31, 1969 the trustees had purchased 64,000 Common Shares in the market which were sold to employees at $3.15 per share and 69,700 Common Shares from the treasury of the Company which were sold to employees at $3.85 per share. Provision remains for 16,300 shares to be made available to employees in the future.

5. CAPITAL STOCK

Authorized— 1,500,000 Preference Shares with a par value of $10 each, issuable in series
—12,000,000 Common Shares without par value

Issued and outstanding— 800,000 7%, Cumulative, Redeemable, Convertible, Preference Shares, Series A	$ 8,000,000
—5,522,700 Common Shares	23,490,738
	$31,490,738

150,000 Common Shares were issued during the year for an aggregate consideration of $600,000 upon exercise of Share Purchase Warrants and an option entitling the holder thereof to subscribe for such shares at $4 per share on or before December 31, 1971.

The 7% Cumulative, Redeemable, Convertible, Preference Shares, Series A are convertible into Common Shares on the basis of 1½ Common Shares for each such Preference Share held.

The conditions attaching to the 7%, Cumulative, Redeemable, Convertible, Preference Shares, Series A include certain restrictions on the declaration or payment of dividends on the Common Shares.

6. LONG TERM INDEBTEDNESS

	Total Principal	Instalments And Principal Balances Due Within One Year
Mortgages bearing interest at various rates from 4½% to 10% and maturing as follows:		
Due—within one year	$ 1,162,193	$1,162,193
—2 to 5 years	5,094,803	114,080
—6 to 10 years	10,333,913	427,569
—over 10 years	31,269,018	603,498
	47,859,927	2,307,340
First mortgage bonds		
5¼% Series A due 1976	84,000	12,000
5½% Series B due 1978	307,000	23,000
5½% Series C due 1975	110,000	20,000
7½% Sinking Fund due 1992	2,908,000	51,000
7½% Sinking Fund due 1997	5,700,000	—
	9,109,000	106,000
Notes		
6% Notes due to 1974	984,380	114,000
8½% Note due 1996	223,049	2,256
	1,207,429	116,256
	$58,176,356	$2,529,596

7. INCOME TAX

The Company claims capital cost allowances for income tax purposes in excess of depreciation recorded in the accounts and, in addition, claims, in the year incurred, interest and other carrying charges capitalized in the accounts. Income taxes so deferred for 1969 amount to $1,330,000 ($971,000 in 1968) and the accumulated amount of such deferments to December 31, 1969 is $4,259,000.

The Company was re-assessed in 1968 in respect of federal income taxes up to and including December 31, 1965. Under such re-assessment the Taxation Division contends that certain properties were acquired in 1958 by the Company in a non arms-length transaction and that the values thereof for capital cost allowances are approximately $6,000,000 less than the values recorded in the accounts of the Company. Although the income tax liability involved was less than $1,000, the Company has objected to the re-assessment in order to establish maximum capital cost values for future income tax purposes.

8. DEPRECIATION

The provision for depreciation is calculated on a sinking fund method based on the estimated useful life of each developed property and writes off the value of the improvements over that period in a series of instalments increasing at the rate of 5% compounded annually.

The estimated useful lives used for calculating depreciation range from 10 years to 50 years depending on the nature of the property.

9. LEASEHOLD RENTAL

The Company is committed as tenant under leases on income producing properties varying in length from 8 to 36 years. All major leases contain options to either renew the lease or purchase the property at the expiration of the existing term. The total minimum rental obligation under such leases aggregates $13,290,000 and is payable in approximate annual amounts as follows:

Years		Years	
1970	$510,000	1987—1995	$250,000
1971—1976	540,000	1996—2004	270,000
1977—1985	475,000	2005	187,500
1986	400,000		

10. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration paid to directors and senior officers of the Company (as defined in the Ontario Corporations Act) amounted to $168,000 for the year ended December 31, 1969.

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